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SUBJECT: SARKOZY HEARS FISHERMEN'S COMPLAINTS BEFORE TRAVELING TO U.S.

11. (U) Nicholas Sarkozy traveled to Brittany to meet with fishermen protesting the increased cost of diesel fuel just before his departure for the United States Tuesday November 6. In a contentious meeting-punctuated by protesters' insults and presidential disdain and anger in response, Sarkozy proposed a compensatory six-month suspension of employer taxes that he estimated was worth 21 million euros. He also said that Agriculture and Fisheries Minister Michel Barnier would work on a new mechanism to facilitate passing cost increase to consumers, replacing a previous subsidy invalidated by the EU in January of 2007.

12. (SBU) French fishermen do not pay either fuel tax or VAT on diesel fuel. Because of this relatively lower cost recent increases have hit them proportionally harder than the average French consumer, with fuel costs consuming approximately 40% of their revenue.

13. (SBU) Comment: Sarkozy demonstrated both strong commitment to defend his reform agenda with an angry constituency and flexibility in proposing some industry-specific measures to calm the fishermen a week before major announced transportation and energy strikes. Sarkozy hopes to avoid additional labor unrest and to prevent a coalescence of protests that could derail his reform efforts. Sarkozy also seeks to sidestep further politicization of the high cost of energy, given his government's current refusal to lower high energy taxes on both budgetary and environmental grounds. But by putting himself yet again on the front lines, Sarkozy risks drawing the fire of yet another narrow, but strongly motivated, constituency. While the various groups opposed to aspects of the Sarkozy reform program - transport workers, civil servants, teachers -- have yet to make common cause, the more frequently the president puts himself in the position of negotiator-in-chief, the more likely that becomes.

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